Enjoy the Turkey and All the Trimmings Today and Prepare for Economic Slowdown, If Not a Recession, Tomorrow in the USA and RP

NOTE: The author brings back to the Front Page this November 2007 article, as the world now faces lots of crises, especially in the Middle East, compounded by acts of terrorism. All of these factors may usher in a severe economic slowdown in 2016. So, Dear Readers, please heed the warning ... But at least let us all enjoy the Thanksgiving Weekend this year and the coming 2015 Advent Season. Mabuhay!

By Bobby M. Reyes of Sorsogon City and West Covina, CA.

{xtypo_quote} It is better to be poor in a poor country than be poor in a rich country.

– Max V. Soliven {/xtypo_quote}

The words of the late Max V. Soliven will be one of the consoling facts for Filipinos when the perceived economic recession arrives in the United States and affects the economy of the Philippines.

This writer has been urging the national leaders of the Philippines to prepare for an economic slump. The seeming strength of the Philippine economy and the much-vaunted revaluation of the peso could just a financial mirage. Because the Philippine economy is still highly dependent on the performance of Wall Street. And it is also reliant on the Filipino-American remittances, which account for nearly 70% of all dollars remitted to the homeland by the Overseas Filipinos.

As many Filipino and foreign economists have said, “When the American economy coughs, the Philippine economy suffers from a cold.” Now, this writer thinks that the U.S. economy is suffering from a cold and the Philippine economy will have fever, if not the economic version of influenza.

On the eve of Thanksgiving 2007, Scott Duke Harris of the *Mercury News* of San Jose, California, where Silicon Valley is located, has sounded the same apprehension. There was also the move earlier this month of California Gov. Arnold Schwarzenegger, who ordered state agencies to prepare a 10-percent reduction in the 2008 state budget. Governor Schwarzenegger thinks that the California economy, which is the sixth largest in the world, will suffer as a result of the economic doldrums in the United States.

When and if economic recession in the United States comes, Filipino Americans will start also to tighten their belts, even if only one-third of them have Ilocano roots. Many Filipino Americans will take also their annual vacation in the United States or in Mexico, where the dollar's purchasing power goes further than in the Philippines.

When the remittances from the Overseas Filipinos slow down, when the price of crude oil hits $125 or higher per barrel, how can the Philippines cope up with a worldwide recession caused primarily by the economic slowdown of the world's biggest economy that is the United States'? Where will the Philippine government get the P624.1-billion (US$13.87 billion, spelled with a B at P45/$1 exchange rate) in 2008 to settle maturing obligations? It is 1.8-percent higher than the allocation for debt service of P612.8 billion this year, documents from the Department of Finance showed. (For the full report on the Philippines' foreign and domestic borrowings, please go to http://www.mabuhayradio.com/content/view/491/51/ .)

Mr. Harris did not mention in his article the number-one cause of the coming recession in the United States. The American taxpayers are shelling out tens of billions of dollars each week in fighting international terrorism in Iraq, Afghanistan, Pakistan and other countries. The cost of the Iraq war alone has been estimated to reach more than $1.5-trillion (spelled with a T), minimum on a long-term basis. There is no way that the United States can sustain the economic impact of the war with its huge trade deficits year-in, year-out, and the massive financial crisis faced by Social Security, Medicare and the pension funds. And Baby Boomers are starting to retire in droves. And when one includes the subprime-mortgage crisis, you have the ingredients for a recession, if not an economic slowdown.

Here is Mr. Harris's article:

Those Thanksgiving Eve economy blues

By Scott Duke Harris
Mercury News

Article Launched: 11/21/2007 02:01:36 PM PST

http://www.mercurynews.com/ci_7526463?IADID

That giant gobbling sound . You may be shocked anew by the cost of filling up your gas tank for that Thanksgiving road trip. The price at the pump, approaching $4 a gallon in some stations, makes the credit crunch that much crunchier – and another reason why the mood on Wall Street is getting more grim.

As if the subprime mortgage mess weren't enough, oil is flirting with $100 a barrel. That and the slowing U.S. economy helped explain why Wall Street and foreign exchanges took another tumble Wednesday.

The Dow Jones fell back below the 13,000 mark - well below, actually, sliding 211 points (1.62 percent) to close at 12,799. And to think: It was only Oct. 9 that the Dow had reached a record close of 14,164 points.

The tech-heavy NASDAQ, meanwhile, fell 34.66 points, or 1.33 percent to 2,562.15, while the broad S & P 500 lost 23.40 points, or 1.59 percent, to 1,416.30.

The dimming outlook will get tested Friday, since the day after Thanksgiving is considered the start of the holiday shopping season. Will cash registers be as jingly as usual?

Whatever. Our advice is to enjoy your Thanksgiving feast so much you can loosen your belt and take a nap on the couch. But make the leftovers last.

Belt-tightening at the mall. Gap, the San Francisco-based clothing giant, managed to pull off a 28 percent rise in third-quarter profit despite a slowdown in sales at its Gap and Old Navy outlets. How? By reducing its marketing costs by about $75 million in the quarter. (Why spend a bundle on advertising when the charge cards are at the limit?)

Investors clearly sense a slow holiday season. The value of Gap's stock tumbled 6.14 percent even though its profit of 30 cents per share beat analysts' forecasts by a penny.

Among the reasons: Same-store sales fell 5 percent compared with a year ago. Old Navy stores were off by 8 percent.

Same-store sales, or sales at stores open at least a year, is a key measure of retailer performance, because it gauges growth at existing stores rather than from newly opened ones.

Day-trading in E-Trade. Shares in E-Trade, the erstwhile dotcom high-flyer with Silicon Valley roots, rose as much as 12 percent today amid speculation that an outside investor will buy all or part of the company.

E-Trade, born in Palo Alto but now based in New York, was a pioneer of Internet stock trading. But that was then. While it ranks as the third-largest online broker, it also had the dubious distinction as the worst performer in the Standard & Poor's 500 Index this year, before today's rise.

E-Trade had lost 81 percent of its value this year, including a one-day plunge of 59 percent on Nov. 12 after a Citigroup analyst Prashant Bhatia said the company may go bankrupt. The stock rebounded 50 percent in the subsequent two days. Reports have been circulating that E-Trade may sell a stake for cash or sell the whole company to a competitor such as TD Ameritrade Holding Corp.

To read the rest of Mr. Harris's report, please go to http://www.mercurynews.com/ci_7526463?IADID . Please note that you may need to register first as a subscriber to the www.mercurynews.com . But subscription is free.